Better Outcomes, Better Value
The evolution of social impact bonds in the UK
Overview

We’re starting to see evidence that outcomes-focused commissioning can help governments achieve better results.

Traditionally, governments have contracted third-party service providers on a ‘fee for service’ basis – so commissioners prescribe and pay for a particular service that they believe will lead to a desired social outcome (or outcomes). More recently, a number of governments have started to introduce elements of ‘payment by results’ or ‘pay for success’ when commissioning services – so providers only get paid in full if they deliver the desired social outcomes.

Social impact bonds (SIBs) are a tool to help impact-driven providers deliver these ‘outcomes contracts’, by giving them access to project financing and management support from socially-minded investors. For governments, this can broaden the pool of skilled providers and, potentially, increase the chances of the service being successful. (p. 2-3)

Why now

At Bridges, we raised the world’s first fund dedicated entirely to investing in SIB-funded outcomes contracts. Since 2012, we have directly invested in 13 of these contracts – almost half of the total commissioned by the UK Government to date. (p. 12)

We did so because we believed that a greater focus on outcomes would give providers the flexibility and the incentive to iterate constantly in pursuit of better performance. This, in turn, would stimulate more entrepreneurial solutions to some of our most intractable social problems – something we’ve been looking to achieve through our funds for more than a decade.

It’s now six years since the first SIB-funded outcomes contract was launched in the UK. During this time, the model has continued to evolve, and dozens more SIBs have been developed around the world. But while the concept has attracted lots of attention – both positive and negative – it’s only now that we’re starting to accumulate a body of data about whether this approach can actually work.

From a Bridges perspective: 2015 saw the first three of our SIB-backed programmes complete their original contracts. All three delivered positive social outcomes, helping some of the most disadvantaged children re-engage with school, gain new skills and qualifications, and develop greater empathy and resilience. Two of these programmes – both of which came in well ahead of their impact targets – have already been re-commissioned for a second iteration (at a lower cost to Government).

In both cases, precisely because the programmes outperformed their outcome targets, investors achieved positive financial returns and used these to support follow-on SIBs. More importantly, we’re starting to see trends and patterns emerge. Based on what we’ve learned from these early contracts, we have come to believe that:

1. Outcomes contracts have considerable potential to help governments drive positive social change by improving performance, increasing efficiency and re-aligning incentives in existing service provision – not only by facilitating and de-risking innovative new services. (p. 4-5)

2. There are some key policy areas in the UK where outcomes contracts are already delivering better results – and where there is already strong support from central Government. (p. 7)

3. Outcomes contracts (whether SIB-funded or otherwise) should be designed to provide better value to commissioners than any available alternative. This means pricing them in such a way that unless the programme delivers demonstrably better results than the commissioner could get elsewhere, the return to investors should be zero. We think this Base Case Zero approach (as we call it) is essential in order for this model to succeed at scale. (p. 8-9)

Why it matters

The UK government alone currently spends more than £230bn a year on what might loosely be termed ‘human services’, from healthcare to children’s services to rehabilitation. About one-third of that total is delivered by third-party providers – but only a tiny proportion (roughly £3bn p/a) involves any kind of payments for outcomes. (p. 6)

Our experience to date suggests that introducing more outcomes-based payment mechanisms within these specific policy areas could help commissioners improve service delivery and get a better understanding of which approaches work best. Over time, this should help governments achieve better value for public money and, most significantly, better outcomes for some of the most vulnerable people in our society. Is that an opportunity we can afford to ignore?

Defininitions

By outcomes contract, we mean any contract between a government and a typically external service provider that involves some element of payment for outcomes achieved (sometimes called ‘payment by results’ or ‘pay for success’).

By social impact bond, we mean any arrangement made by an impact-driven provider to access off-balance sheet financing in order to deliver a specific outcomes contract.

By commissioner, we mean any local or central government (or state) official with responsibility for buying service provision (typically from an external provider).

It’s only now that we’re starting to accumulate a body of data about whether this approach can actually work.

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“A Bridges Impact+ publication

Bridges Ventures is a specialist fund manager focused exclusively on sustainable and impact investment – using commercial investment strategies to help solve some of society’s biggest challenges. Founded in 2002, Bridges now has almost £600m under management across its growth, property and social sector funds. It became a certified B Corporation in the summer of 2015.

Bridges is committed to maximising the impact of our funds and to growing the wider industry in which we operate. We therefore established Bridges Impact+, to equip our internal teams with best practice and to leverage that practitioner experience to support a wide range of external clients – from investors to governments to corporations to charities. Our approach combines research and development of frameworks and products with hands-on advisory services, all rooted in practical experience.

For more information, visit bridgesventures.com.”
A new kind of commissioning

Governments are experimenting with outcomes contracts (and SIBs) in the hope that it will help and incentivize providers to deliver better services

With a traditional ‘fee for service’ contract, governments typically pay for a particular set of inputs (e.g. personnel on the ground) or activities (e.g. the provision of a particular service) that they believe will lead to a certain societal outcome. As such, the commissioning process tends to favour proven interventions that can be repeated in more or less the same way. The providers concerned usually have relatively little flexibility to adapt or experiment with their service during the contract period – even if the environment in which they are operating changes (as it often does). Nor do they have any real incentive to deliver better-than-expected results.

Many governments around the world are now experimenting with outcomes contracts. Here, some or all of the provider’s fee will be contingent on how successfully they are delivering the specified societal outcomes. Since the commissioner is no longer specifying exactly how the service should be delivered, this gives providers much greater scope to adapt and improve their existing programmes, or to devise a new one – allowing them to react to a changing environment. It also creates a clear financial incentive for providers to deliver better-than-expected results.

Given their payment structure, outcomes contracts typically create a need for working capital to fund the provider’s work. One way to finance this is via a social impact bond (SIB). SIBs are a form of aligned capital where investors’ capital is used to fund the provider’s work. One way to structure the bond is to offer providers hands-on management support (e.g. via specialist advisors) as providers bid for and deliver outcomes contracts, helping to build their organisational capacity.

Critically, this capital and support is available to a wide variety of organisations, regardless of size or structure. This should mean that commissioners can choose from a much broader pool of providers than they would otherwise have been able to, while strengthening the local market – with a view to ensuring that those services are provided by those with the best solutions, not simply those with the deepest pockets.

All of these factors should make these contracts more likely to succeed. So for commissioners, the potential value of this approach is not just about transferring the financial risk, but about improving outcomes, and ensuring that they only pay for the outcomes delivered (the so-called ‘fidelity guarantee’).

THE BEST OUTCOMES CONTRACTS USE STAGGERED PAYMENTS

Based on our experience to date, we believe the most effective contracts incentivise providers to care about the ultimate outcome sought by the government. But in most cases, it will make sense for the commissioner to pay for delivery milestones reached along the way – as long as those milestones are highly correlated with the achievement of that ultimate outcome. This kind of staggered payment mechanism imposes a useful discipline on the provider, driving greater efficiency; it reduces the working capital need, helping to keep costs down; and it gives both commissioner and provider valuable early feedback on how well the service is doing.

For example, in the Manchester foster care SIB, the Government’s ultimate goal is for children to finish their adolescence in stable foster care placements. In order to focus providers on this outcome, no payment is made for recruiting a delivery team of therapists or foster carers; nor do providers receive significant payment for the initial foster placement. Instead, payments build up gradually over the first year, with the majority (over 50% of the total amount) triggered only if a placement is sustained for at least a full year – since this is highly correlated with placements remaining stable in the longer term. The remainder of the payment is triggered by the longer-term outcomes of improved attendance at school and reduced offending, which signal increased well-being of the children the Government is trying to help.

UK OUTCOMES-BASED COMMISSIONING, 2010-15

Below are the most significant contracts commissioned by the UK government since 2010 that have involved some element of payment for outcomes. (Those in blue are projects that have been funded, or part-funded, by a SIB structure; the figure quoted represents the maximum outcomes payment available)

- HM Prison Peterborough (prisoner rehabilitation): £8m
- Work Choice (employment for the disabled): £375m
- International aid projects (x2): £128m
- Supporting People (housing support): £100m
- Drug and alcohol recovery pilots: £16m
- New Homes bonus (building incentives): £3,480m
- European Social Fund Support for Families with Multiple Problems (welfare to work): £200m
- Work Programme (welfare to work): £3,380m
- International aid projects (x5): £605m
- Wiltshire Council Help To Live At Home (social care): £11m
- Troubled Families (family support): £448m
- Youth Contract (youth employment): £160m
- DWP Innovation Fund (x10; youth employment): £30m
- Essex MST Project (children in care): £7m
- International aid projects (x4): £1,126m
- GLA Rough Sleeping projects (x2): £5m
- International aid projects (x2): £148m
- IAAM Adoption project: £54k per child
- Manchester MTFC project (therapeutic foster care): £17m
- Community Work Placements (welfare to work): £203m
- Transforming Rehabilitation (prisoner rehabilitation): £3,153m
- International aid projects (x3): £279m
- Bedfordshire Integrated Musculoskeletal Services: £210m
- Birmingham Residential Migration (therapeutic foster care): £6m
- Fair Chance Fund (x7; preventing homelessness): £15m
- Expanded Troubled Families (family support): £200m
- Ways to Wellness Social Prescribing: £10m
- Youth Engagement Fund (x4): £16m
- Shared Lives in Manchester and Lambeth: £2m
- Social Isolation in Worcestershire: £2m
- Health and employment partnerships in Staffordshire, Haringey and Tower Hamlets: £2m
- Sheffield Integrated Musculoskeletal Services: £200m

Total outcomes contracts c. £15bn in 5 years, of which c. £100m involved a SIB structure

Setting outcomes gives us permission to think differently. People are hugely innovative and creative if given the opportunity

The areas of added value to date include the continual engagement of investors, beyond the initial investment; the added layer of support from the board, including the flexible use of funding to achieve defined outcomes; pragmatic decision-making; and a rigorous information and reporting system focused on outcomes

The programme got off to a slow start – to the extent that if we had been paying for it via a normal contract, we would probably have given up and cancelled it. But the SIB structure meant we were able to give it more time; the provider and their investors persevered, and now the team is delivering fantastic outcomes for some of our most troubled young people

Sarah Henry, Head of Intelligence and Performance, Manchester County Council, on the MTFC SIB

Source: National Audit Office; Local Government Association; Health Service Journal; Bridges’ research

(See p. 12 for a list of some of the local and central UK government departments that have commissioned SIBs)
When outcomes contracts work best

Much of the discussion around SIBs has focused on their role in promoting innovative new services. However, our experience suggests there could be an equally substantial opportunity in improving existing services. Here are five areas in which outcomes contracts are helping governments achieve better results.

**Example: Multi-Systemic Family Therapy (Essex)**

**The problem**
MST is a licensed programme that has proven to be effective in the US, and is typically paid for giving beneficiaries a bed. Although many providers and local authorities do support the young people in their accommodation to build their skills and move on, the system offers them no opportunity to carry on supporting those more chaotic individuals who cannot hold down the accommodation. As such, this particularly vulnerable group is left unsupported, leading to poorer life outcomes – including higher rates of homelessness.

**The solution**
Ways to Wellness is an innovative seven year scheme in Newcastle West. Based on the concept of social prescribing – using non-medical interventions to improve patient self-care, with support from dedicated ‘Link Workers’ – it is funded by the NHS but brings together a group of local GP practices (who refer relevant patients) and a number of local voluntary sector providers (who deliver services that help with getting active, following complex daily routines, developing positive relationships, and so on) to improve living standards for individuals with LTCs, including higher rates of homelessness. Those in need of support are typically paid for giving beneficiaries a bed. Although many providers and local authorities do support the young people in their accommodation to build their skills and move on, the system offers them no opportunity to carry on supporting those more chaotic individuals who cannot hold down the accommodation. As such, this particularly vulnerable group is left unsupported, leading to poorer life outcomes – including higher rates of homelessness.

**Example: Therapeutic foster care (Manchester/ Birmingham/ Cardiff)**

**The problem**
Reconviction rates among recently-released prisoners are typically high – a negative cycle that carries high societal costs (not to mention the actual costs associated with imprisonment). However, there was no established method of supporting short-sentenced prisoners upon their release from prison with a specific view to reducing the likelihood of them reoffending.

**The solution**
The One Service in Peterborough, launched in 2010, was the world’s first ever social impact bond-funded programme. Developed by Social Finance, the programme aimed at delivering a tangible reduction in reoffending rates by providing a range of support services to short-sentenced male prisoners when they were released from HMP Peterborough – including help with additional family issues, finding and securing a job, and securing a social housing tenancy. Providers have the opportunity to work with and help beneficiaries over a long period of time (up to three years), regardless of where they’re sleeping – so they can support the young person flexibly and ensure that housing options help rather than hinder beneficiaries’ progression. The payment mechanism also rewards employment, so providers have a strong incentive to support beneficiaries into education or jobs. This ought to give beneficiaries a better chance of achieving full independence over time.

**Example: Social Prescribing SIB**

**The problem**
In the UK, a large number of adolescents still grow up in residential care homes – usually as a result of family breakdown followed by multiple breakdowns of foster care placements. The social outcomes for these children are in many cases much worse than for children brought up in a foster family – and it’s also a much more expensive solution for the state. But while many local authorities recognise this, it has proven difficult to address in practice; partly because of the difficulties of finding suitable foster carers, and partly because of the difficulties of engaging consistently and successfully with social work teams to make longer-term placement plans. Social workers’ budget structures often make it hard for them to unlock housing up-front investment, even if it will generate long-term savings.

**The solution**
These therapeutic programmes invest additional resource in moving challenged adolescents into stable foster placements where they will enjoy better life outcomes – in the knowledge that this will save the local authority substantial sums over time. A special effort has been made to recruit suitable carers: the programmes sought out new carers with relevant skills (e.g. teachers and youth workers) and paid them above the usual rate, to reflect the challenging nature of the placements. Specialised therapists support the care and child across the placement, and further support comes from mentors who have themselves previously made the transition from residential care. Crucially, the programmes also dedicate resource to working in partnership with social work teams, and proactively assisting them to target suitable children who might benefit from this kind of long-term planned transition into permanent placements.

**Example: Fair Chance Fund homelessness SIBs**

**The problem**
For some young homeless people, the current structure of homelessness services does not always support them into long-term sustainable housing and independence. That’s because the majority of funding follows the accommodation rather than the beneficiary – creating some perverse incentives. Accommodation providers are typically paid for giving beneficiaries a bed. Although many providers and local authorities do support the young people in their accommodation to build their skills and move on, the system offers them no opportunity to carry on supporting those more chaotic individuals who cannot hold down the accommodation. As such, this particularly vulnerable group is left unsupported, leading to poorer life outcomes – including higher rates of homelessness.

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### Key policy areas for outcomes contracts

Governments currently allocate a tiny proportion of their budgets to outcomes contracts. They have scope to do much more, particularly in ‘human’ services.

#### CURRENT UK GOVERNMENT SPEND ON OUTCOMES CONTRACTS

The UK Government spends about £230bn of its £730bn annual budget on ‘human’ services (education, health, social services, children’s services etc.).

- **£730bn**
- **£230bn**
- **c.£30bn**
- **c.£20m**
- **c.£3bn**

Only about £20m of this £3bn is delivered via a SIB structure.

### POTENTIAL ROLES FOR SIBs IN FOUR KEY GOVERNMENT POLICY AREAS

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Role</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homelessness</td>
<td>UNLOCK</td>
<td>Cf. Depaul, St Basils, Fusion Housing</td>
</tr>
<tr>
<td>Health &amp; Social Care</td>
<td>IMPROVE</td>
<td>Cf. Ways to Wellness</td>
</tr>
<tr>
<td>Children’s Services</td>
<td>ALIGN</td>
<td>Cf. JAAM, Birmingham, Essex, Manchester</td>
</tr>
<tr>
<td>Youth</td>
<td>IMPROVE</td>
<td>Cf. CFY, York, Reconnections SIB in Worcestershire</td>
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*See p. 12 for a list of all the SIBs backed by Bridges*

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* Annualised figures based on spending during the last Parliament, 2010-2015

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On the previous pages, we described five different opportunities for commissioners to consider using outcomes contracts to drive impact. Our diverse portfolio of SIBs has also taught us that, in any of these situations, there are three features that must be in place for outcomes contracts to work most efficiently and effectively:

1. **The ability to define a specific cohort** (e.g. children in residential care or adults with long-term health conditions)
2. **Positive outcomes that can be defined and measured objectively** (e.g. qualifications reached or entry into employment)
3. **The ability to place a value on these positive outcomes** (which generally requires reference to a tangible baseline/counterfactual)

In conjunction with the five areas of opportunity, these three required features provide a useful lens to help us identify specific issues where an outcomes focused or commissioning approach has the potential to drive better outcomes and/or better value-for-money.
The evolution of the SIB model

SIBs are already getting more efficient. If applied to existing services and priced to offer better relative value, they can enable better outcomes at real scale.

SIB-funded programmes have already had a powerful positive impact on the lives of thousands of vulnerable young people and adults. We believe that millions more could benefit in the future, helping society to address some of its most intractable social issues. But in order for this to happen, the model will need to evolve in three important ways – the early signs of which we’re seeing already.

1. Greater efficiency

The early UK SIBs were initiated and managed by intermediaries – notably Social Finance, which developed the first SIB in Peterborough. This model played an essential role in catalysing a nascent market, supporting Government and providers throughout the design and execution process. It will continue to be useful for any market developing a SIB for the first time.

Inevitably, these early SIBs took a long time to develop, were complex in structure, and incurred a range of transaction costs. However, the pioneering work done in creating new standards and upskilling the key parties is now bearing fruit. For the Department for Work & Pensions’ Youth Engagement Fund, the commissioner was able to get from initial design to programme launch much more quickly than for the Innovation Fund (p. 11). Similarly, as providers are given more freedom to constantly evolve their delivery, they are finding new ways to deliver better outcomes at lower cost. For example, Career Connect made substantial adjustments to its programme during its first outcomes contract (p. 16); this enabled it to submit a bid based on a proven model second time around, increasing value-for-money to Government.

As commissioners and providers gain a richer understanding of how to design and deliver outcomes contracts well, it is fostering greater confidence on both sides. As a natural corollary of this, the role of intermediaries is changing. Rather than needing advisors to ‘make the market’, as was the case in the early days, the key parties involved can simply draw on specialist advice where necessary (p. 43). This more efficient model can prevent potential conflicts of interest, speed up development times and reduce costs.

2. Broader application

Many early SIBs focused on untested new interventions (the ‘innovative’ of our five opportunity areas). Effectively pilot schemes, aimed at generating new outcomes – and therefore without an existing baseline in terms of price or performance – SIBs of this kind tend to be small-scale, with payment mechanisms based on a complex control group.

Outcomes contracts – and therefore SIBs – will continue to be a powerful tool for innovation; the most successful may even prompt a paradigm shift in the way we tackle big social challenges.

But in the near term, we think there is also a substantial opportunity in improving existing services; i.e. in helping commissioners achieve better value in situations where they already have a targeted spend (either by achieving better outcomes for the same spend, the same outcomes for less spend, or more outcomes for more spend but at a lower cost per outcome). In these situations, rather than expending substantial amounts of time and money identifying and tracking a control group, commissioners can use their understanding of the money they currently spend on the value they currently generate (in other words, their ‘best available comparable option’) as their baseline. This enables them to price outcomes in a way that’s most useful to providers, who then have the flexibility to adapt and evolve their models throughout the programme. Such contracts can be rolled out on a much greater scale – improving efficiency, cutting costs and reaching more beneficiaries.

3. Better relative value

Ultimately, SIBs – and outcomes contracts more generally – will only succeed at scale if they allow commissioners to achieve better, more or cheaper outcomes than with any alternative approach (either internal or external). And if there is indeed a substantial opportunity for outcomes contracts in improving performance in situations where commissioners already have a targeted spend, we see a powerful implication for how SIB contracts should be priced going forward.

Some of the early SIBs were priced on the logic that the eventual cost to the government need only be cheaper than the cost of doing nothing to address the target social issue. In the much more typical situation, where the government is already doing something (or is aware of ways in which it could do something) we see the potential for a higher bar: simply put, commissioners should only ever pay extra for SIB-funded programmes if they’re getting something extra in return. If they’re not – if the SIB fails to deliver demonstrably better results than the government’s ‘best available comparable option’ – then the additional cost to the government (including the return to investors) should always be zero. We believe this Base Case Zero model is critical to the future of SIBs.

If the SIB fails to deliver demonstrably better results than the Government’s ‘best available comparable option’, the additional cost to the government should always be zero.

There is a substantial opportunity for outcomes contracts in improving existing services, i.e. in helping commissioners achieve better results in situations where they already have a targeted spend.

Conclusion: Better outcomes, at scale

Based on our experience to date, we believe outcomes contracts have huge potential as a tool to help governments improve the provision of existing services, as well as experiment with new service models.

The growing interest in outcomes-based commissioning globally is, in itself, a positive development. But we also believe the availability of SIBs – and outcomes contracts have huge potential as a tool to help governments improve the provision of existing services, as well as experiment with new service models.

The early SIBs were typically initiated, designed and managed by intermediaries

The availability of SIBs could become increasingly helpful for commissioners as the model evolves.

For the more recent SIBs, the commissioner has typically chosen the provider (and investors) via an open procurement process, with each party drawing on specialist advice where necessary.

Intermediary initiates intervention, selects provider, works with provider & commissioner creates funds, manages contracts and evaluates outcomes

Outcomes contracts are rolled out

Innovate and shape programme

Raise capital

Select providers

Services contract

Deliver programme

Evaluate results

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Case Study: Career Connect

Career Connect was able to adapt its intervention in response to feedback from the early months of delivery, ultimately surpassing its outcomes targets.

ABOUT THE PROGRAMME

In 2011, the Department for Work & Pensions, Cabinet Office and Ministry of Justice established the £30m Innovation Fund, with the aim of improving outcomes for disadvantaged young people who were NEET (not in education, employment or training) or at risk of becoming so. Providers would be paid according to their success in:

- re-engaging participants with school
- helping them achieve qualifications
- supporting them into sustained employment

In 2012, Liverpool-based charity Career Connect was selected by the Innovation Fund to deliver a programme that would be assessed against these outcomes. Career Connect identified three groups of young people on Merseyside whose outcomes were diverging most sharply from their peers: young offenders, those in or leaving care and those with learning difficulties.

The average NEET rate of these groups was considerably higher than the national average (21% vs. 16%).

The programme (‘New Horizons’) – which ran for three years until April 2015 – received upfront funding and ongoing support from Bridges Ventures and other investors via a social impact bond. Its target was to work with 3,928 young people on Merseyside – targeting 4,270 positive outcomes against a ‘rate card’ (the Government’s own assessment of what each of these outcomes was worth in financial terms).

The intervention was delivered through a range of Resilience Coaching Programmes, which includes the use of an online ‘Mental Toughness’ diagnostic tool. Once assessed, the young people received one-on-one resilience coaching focusing on the particular challenges faced by each young person as identified through the Mental Toughness assessment.

Alongside this, Career Connect designed and delivered an NVQ Level 1 qualification in Personal Effectiveness to eligible school-age participants. The course, delivered predominantly through group sessions over a 13-week period, focuses on developing the young person’s interpersonal skills and encouraging a greater understanding of their abilities.

Career Connect found that the course leads to better school engagement, improved well-being, higher career aspirations and better employability.

THE PROGRAMME MADE FOUR KEY CHANGES OVER TIME

At the end of the first year, detailed management information showed that some aspects of the programme were extremely effective, and others less so. With a standard ‘fee for service’ contract or grant agreement, it would have been difficult for Career Connect to alter the design of the programme. However, outcomes-based contracts enable greater flexibility, and so the delivery team were able to use what they had learned to make informed decisions to change aspects of the programme and improve results.

- **Better management information:** Career Connect appointed a dedicated performance manager, and strengthened its management information systems in order to track data more accurately. This extra level of rigour helped Career Connect identify opportunities and make better informed decisions, facilitating the evolution of the programme over time.
- **Focused on earlier intervention:** Coaches found that supporting younger children to re-engage with education was likely to be more impactful over the long-term than providing CV and employment support to participants who were already NEET. As a result, the intervention was re-focused to achieve better supporting the younger cohort towards education outcomes, and away from targeting better employment outcomes for older participants.
- **Improved product offering:** For 14-16 year olds, the original focus had been on coaching with no target qualification. Data showed that this was not achieving the hoped-for results. So Career Connect developed a specialised Level 1 course intended to improve resilience and engagement, which could be delivered via more structured group sessions within the school. Following a change in Government legislation that obliged children without employment to ‘participate’ in education or training for an extra year, Career Connect also designed a specific employability course to help 16-year-olds at risk of becoming NEET.
- **More in-house service delivery:** Results showed that Career Connect’s in-house delivery was more effective than using a wide supply chain of service providers. So it focused its investment on this method of delivery, increasing the number of coaches for young people.

In October 2015, Career Connect’s New Horizons programme ran until April 2015 (though outcomes were tracked for a further six months afterwards). During the contract period, it worked with 4,222 young people to deliver 6,044 positive outcomes. The table below illustrates the value to government delivered by the programme (according to the outcome values in the latest Innovation Fund Round 2 rate card).

<table>
<thead>
<tr>
<th>Outcomes delivered</th>
<th>Price per outcome paid by government (£)</th>
<th>Total paid by government (£)</th>
<th>Value of outcomes in Government (£)</th>
<th>Total value delivered by Government (£)</th>
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<tr>
<td>Improved school attendance</td>
<td>1,315</td>
<td>871</td>
<td>1,145</td>
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<tr>
<td>Improved school behaviour</td>
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<td>982</td>
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<td>National Vocational Qualification Level 1</td>
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<tr>
<td>National Vocational Qualification Level 2</td>
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<tr>
<td>Sustained employment for 26-weeks</td>
<td>154</td>
<td>740</td>
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<tr>
<td><strong>Total Outcomes</strong></td>
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<td><strong>4,504</strong></td>
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</tbody>
</table>

In October 2015, Career Connect’s New Horizons programme was selected as the ‘Social Investment Initiative of the Year’ at the 2015 Charity Times awards. The category was designed to recognise ‘an important social investment that has proven highly advantageous to the sector within a long-term framework, opening up opportunities to the sector and promoting sustainable development’.

Investors have encouraged - and at times required us - to provide data at an almost granular level.

I have learned how to deal with stress and how to react with several dilemmas at the same time. I have also learned how to work in a team and help others.

David Howard, Operations Director, Career Connect

IN 2015, CAREER CONNECT WAS RECOMMISSIONED TO DELIVER A SECOND SIB

Last year, Career Connect became one of the first two SIB providers in the world (alongside Teens & Toddlers) to be recommissioned to deliver a second programme: ‘Unlocking Potential’, which was commissioned as part of the Department of Work and Pensions’ Youth Engagement Fund. However, this time, it was co-commissioned by a number of Local Authorities (Liverpool, Wirral, St. Helens, Halton, Sefton) who had seen the success of the first programme.

When commissioning the second programme, the Government was able to use the lessons learned from the Innovation Fund to adjust the rate card, based on its improved understanding of the relative value of the different outcomes. Nonetheless, Career Connect was confident enough in its new and improved intervention to submit its ‘Unlocking Potential’ bid at a substantial discount to the rate card.

The lessons of the first tender process also allowed Government to reduce development time substantially relative to the Innovation Fund process (which in turn reduces costs):

<table>
<thead>
<tr>
<th>Process features</th>
<th>First tender</th>
<th>Second tender</th>
<th>Third tender</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIB Commissioner + Contract name</td>
<td>DWP Innovation Fund round 1</td>
<td>DWP Innovation Fund round 2</td>
<td>DWP Youth Engagement Fund</td>
</tr>
<tr>
<td>Time to design competition</td>
<td>&gt; 6 months</td>
<td>4 months</td>
<td>2 months</td>
</tr>
<tr>
<td>Time from launch to invitation of tender</td>
<td>4 months</td>
<td>3 months</td>
<td>3 months</td>
</tr>
<tr>
<td>Time from tender to choosing winning bid</td>
<td>5 months</td>
<td>4 months</td>
<td>3 months</td>
</tr>
<tr>
<td>Time from winning bid chosen to programme launch</td>
<td>2 months</td>
<td>2 months</td>
<td>2 months</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>&gt;17 months</strong></td>
<td><strong>13 months</strong></td>
<td><strong>10 months</strong></td>
</tr>
</tbody>
</table>
Our Investments

Bridges’ funds have so far invested in 13 Social Impact Bonds across the following policy areas:

<table>
<thead>
<tr>
<th>SOCIAL ISSUE</th>
<th>SIB PROJECT</th>
<th>COMMISSIONER(S)</th>
<th>PROVIDER(S)</th>
<th>ARRANGER/ MANAGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>YOUTH EMPLOYMENT</td>
<td>Innovation Fund Community Links</td>
<td>Department for Work &amp; Pensions</td>
<td>Tridos @ Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation Fund Career Connect</td>
<td>Department for Work &amp; Pensions</td>
<td>Tridos @ Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation Fund Teens and Toddlers</td>
<td>Ministry of Justice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHILDREN’S SERVICES</td>
<td>Essex Family Therapy</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Manchester Treatment Foster Care</td>
<td>Cabinet Office</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Team Parenting Foster Care</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>IAAM Adoption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOMELESSNESS</td>
<td>Fair Chance Fund St Basils</td>
<td>Department for Communities and Local Government</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Fair Chance Fund Depaul</td>
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<tr>
<td></td>
<td>Fair Chance Fund Fusion Housing</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>HEALTH &amp; SOCIAL CARE</td>
<td>Ways to Wellness</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Acknowledgements

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- Big Society Capital
- Omidyar Network
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- 3i
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- the European Investment Fund
- Great Manchester Pension Fund
- Merseyside Pension Fund
- Deutsche Bank
- The Prince of Wales’s Charitable Foundation
- Trust for London
- The Highwood Foundation

Want to know more about SIBs?

In the UK, there are a number of additional resources available to local or national Government officials who are interested in learning more about the commissioning of SIB-funded outcomes contracts. A helpful starting point is the Cabinet Office’s ‘Centre for Social Impact Bonds’, which can be found at: data.gov.uk/sib_knowledge_box/

Or you can contact the Bridges SIB team via +44 20 3780 8000, or info@bridgesventures.com

We would also like to thank Freshfields Bruckhaus Deringer for their ongoing legal support for social impact bonds.